

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Aghazarian, et. al Analyst: Darrine Distefano Bill Number: AB 1035

Related Bills: See Prior Analysis Telephone: 845-6458 Amended Date: March 25, 2003

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Agency Designate Enterprise Zone Encompassing Ceres, Modesto, & Turlock

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 20, 2003 STILL APPLIES.

☒ OTHER - See comments below.

SUMMARY

This bill would authorize the Technology, Trade, and Commerce Agency (TTCA) to designate areas within Stanislaus County as an enterprise zone (EZ).

SUMMARY OF AMENDMENT

The March 25, 2003, amendment:

- Deletes the cities of Ceres, Turlock, and Modesto to be designated as an EZ, and
- Adds areas within Stanislaus County to be designated as an EZ if such areas are:
 - Zoned for manufacturing, industrial, or business park uses,
 - Located within an incorporated city boundary or community service district, and
 - Located adjacent to a state highway.

As a result of the March 25th amendments, a revised revenue estimate is included below. The remainder of the department's analysis still applies.

POSITION

Pending.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Legislative Director
Brian Putler

Date
4/24/03

ECONOMIC IMPACT

Revenue Estimate

Revenue Impact Per New Zone (\$ Millions)			
Fiscal Year	2003-04	2004-05	2005-06
Revenue Loss	Minor*	-1.5	-3.5

* Less than \$500,000.

This bill does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

Revenue Discussion

Revenue losses for EZs under the Personal Income and the Corporation tax laws would largely depend on the additional amount of qualifying property purchased subject to the sales tax, the amount of wages paid to qualifying employees, and the apportioned state tax liabilities of businesses claiming these tax benefits.

Currently, 42 EZs have been authorized, but only 39 have been designated. It is estimated that under current law, the 2003-04 revenue loss for existing EZs is estimated to be \$150 million, or an average of around \$3.8 million per EZ (\$150 million divided by 39 zones equals \$3.8 million). For each new zone designated in Stanislaus County, the above pattern of revenue losses is expected. A new zone is expected to reach an average revenue impact by the third year of existence.

LEGISLATIVE STAFF CONTACT

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